



2004 Annual Report

RIPPER OIL AND GAS INC.

Corporate Highlights

<i>For the years ended March 31</i>		2004	2003	% Change
Financial (\$)				
Petroleum and natural gas sales		4,112,493	2,528,082	63
Other income		2,274	7,125	(68)
Royalties (net of ARTC)		(724,067)	(462,528)	57
Production expenses		(698,009)	(484,008)	44
General and administrative (cash expenses)		(442,241)	(357,498)	24
Interest		(9,185)	(7,246)	27
Current (taxes) recovery		5,103	(259,000)	102
Cash flow from operations		2,246,368	964,927	132
Gain on sale of property and equipment		922,554	-	-
Depletion and depreciation		(840,838)	(408,151)	106
Future site restoration		(135,500)	(75,200)	80
Non cash general and administrative		(136,594)	(3,027)	4,413
Future income taxes		(678,218)	-	-
Net income		1,377,772	478,549	188
Outstanding shares				
Weighted average	- basic	13,819,183	8,416,925	64
	- diluted	14,446,759	8,566,925	69
Period end	- basic	15,059,000	8,552,000	77
	- diluted	15,889,000	9,382,000	69
Cash flow from operations	- basic and diluted (\$/share)	0.16	0.11	45
Net income	- basic and diluted (\$/share)	0.10	0.06	67
Production				
Oil and liquids (bbls/d)		85	84	1
Natural gas (mcf/d)		1,274	644	98
Boe/d 6:1		297	191	55
March exit rate (boe/d) (6:1)		400	226	77
Realized prices				
Oil and liquids (\$/bbl)		36.71	38.46	(5)
Natural gas (\$/mcf)		6.38	5.72	12
Field netback (\$/boe)		25.00	24.26	3
Reserves				
Oil and NGL's				
Proved (mbbls)		272	283	(4)
Proved plus Probable (mbbls) ⁽¹⁾		319	324	(2)
Natural Gas				
Proved (mmcf)		3,630	1,658	119
Proved plus Probable (mmcf) ⁽¹⁾		4,699	2,050	129
Total boe (6:1) proved plus probable		1,102	666	65
Undeveloped land (acres)				
Gross		85,070	-	-
Net		21,230	-	-

1. 2003 Probable reserves have been reduced by 50% to be approximately comparable to the new definition of probable reserves used in 2004 as determined under National Instrument (NI) 51-101.

RIPPER OIL AND GAS INC.

President's Message

This past year the Corporation has focused on building reserves and production through exploration and development drilling. Our third year of operations generated an average production rate for the year of 297 boepd, a 55% increase and exit production rate at year end of 400 boepd, a 77% increase. Ripper's year end reserves were evaluated by the independent firm Gilbert Laustsen Jung and Associates Ltd. ("GLJ") utilizing GLJ's April 2004 escalated price forecasts. Total proved plus probable reserves increased 65% to 1,102 mboe. Probable reserves have been reduced by 50% to be approximately comparable to the new definition of Probable Reserves which we are required to use in 2004, pursuant to National Instrument NI 51-101. Reserve life index is 7.9 years for total proved plus probable reserves.

The Corporation drilled a record number of wells in the past year. Ripper participated for an average working interest of 30% in 54 gross wells (16.24 net). Of the 54 gross wells, 25 were exploratory and 29 were development wells, resulting in 2 gross oil wells (0.566 net), 48 gross gas wells (12.93 net) and 4 dryholes (2.75 net).

Early last year the Corporation divested two non-core properties for \$1.35 million and raised \$3.03 million from two private placements. The monies financed the \$3.9 million acquisition of a large block of land prospective for shallow Milk River gas in the Shackleton area of Southwest Saskatchewan, 80 miles northwest of Swift Current. The Corporation has a 25% working interest in 112 sections of developed and undeveloped land in this prospect. Drilling commenced in the summer of 2003 with limited production prior to year end. Commencement of production was delayed due to a late start in drilling, frequent down time due to the lack of available drilling/completion equipment and extreme winter and spring weather. Subsequent to year end the Corporation has continued to participate in drilling activity on this prospect and is realizing cash flow from the property with eighteen wells producing at this time. In an effort to decrease the time from completion to tie-in, Ripper has elected to temporarily produce through a third party facility.

Ripper participated for a 50% working interest (before payout) in the drilling of an exploratory discovery well at Spirit River, in Northwest Alberta. Subsequent to year end the operator received Good Production Practice ("GPP") from regulatory authorities to produce the well at unrestricted rates. The well qualifies for a one year royalty free holiday on oil. The Corporation should net 77 boepd from the Spirit River well.

At Halkirk production and reserves have increased due to the steady performance of a 50% interest gas well presently producing 1.5 mmcf/d gross.

This is the Corporation's first report using the new engineering standards for oil and gas reserves under National Instrument NI 51-101. With the implementation of NI 51-101 independent engineering firms are required to be more conservative when booking company reserves. This is especially true for wells with little or no production history. Our Spirit River and Shackleton properties, being either new or not on production before year end were impacted. Despite this the Corporation had tremendous increases in reserves at year end.

RIPPER OIL AND GAS INC.

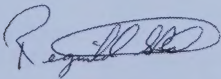
Outlook

Fifty one percent of the Corporation's capital expenditures last year funded land acquisitions at Shackleton, adding a large inventory of development locations for coming years. This year the majority of the Corporation's capital budget is focused on drilling and infrastructure.

At Shackleton, the Corporation plans to participate for its 25% working interest in infill drilling and tie-ins. Further evaluation of Ripper's 25-30% working interest lands at Spirit River is planned contingent on the production performance of our discovery well. The unit operator at Provost, where the Corporation has a 16.534% working interest, is proposing a major capital expenditure to reduce operating expenses, increase recoverable reserves and increase production. Coal bed methane development in Alberta in areas that Ripper has a significant land holding and working interest (Chigwell, Halkirk, Mikwan and Twining) may be developed through farm out agreements. As many as seven wells could be drilled on other minor properties in Alberta. Ripper will fund its capital expenditure program by utilizing the Corporation's cash flow and credit facilities.

The impact of successful drilling results in the first and fourth quarter were not fully realized in our year end reserve report or production. Significant shareholder value was added and should continue to be added through exploitation of our land base in Saskatchewan and Alberta.

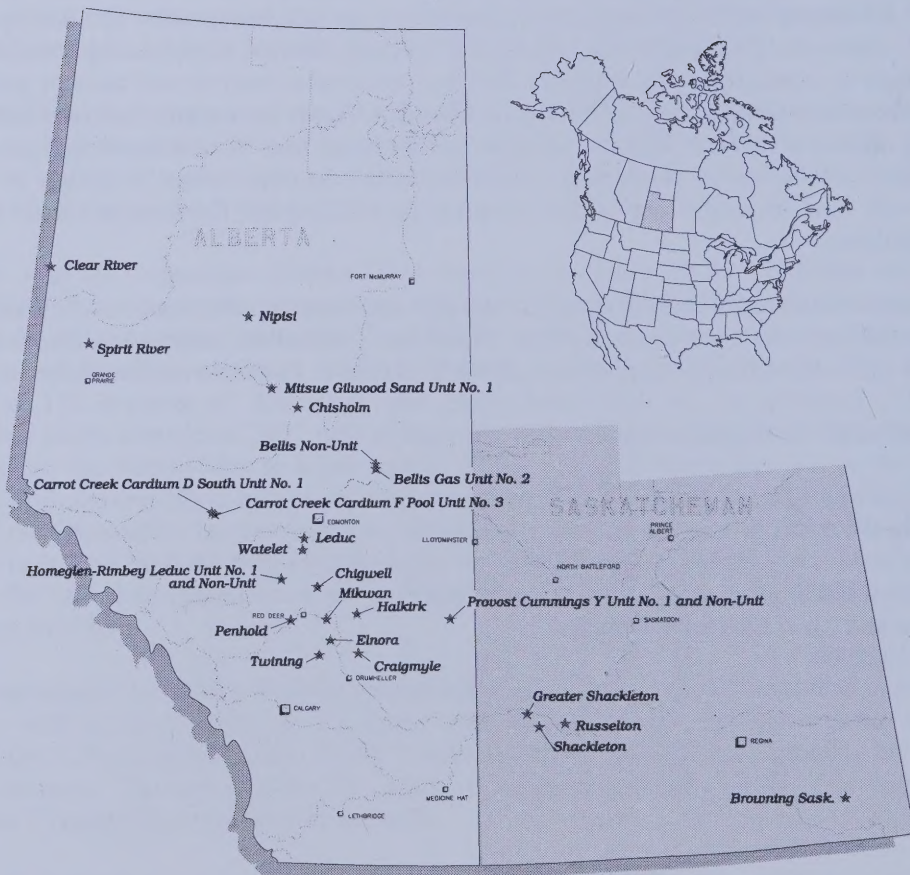
On behalf of the Board of Directors,



R.G. (Jerry) Ball
President and Chief Executive Director
August 10, 2004

RIPPER OIL AND GAS INC.

Properties



RIPPER OIL AND GAS INC.

Operations Overview

This past year the Corporation focused on building reserves and production through exploration and development drilling. Ripper participated in a record number of wells in the past year. The Corporation had an average working interest of 30% in 54 gross wells (16.24 net). Of the 54 gross wells, 25 were exploratory wells and 29 development wells, resulting in 2 gross oil wells (0.566 net), 48 gross gas wells (12.93 net) and 4 dry holes (2.75 net). The impact of successful drilling results in the fourth quarter was not fully realized in our year end reserve report or production. Significant shareholder value was added and should continue to be added through exploitation of our land base in Saskatchewan and Alberta.

Halkirk, Alberta

Ripper's Halkirk property is located in Central Alberta in Townships 37-39, Ranges 15-22 W4M, approximately 75 miles east of the city of Red Deer, Alberta. The Corporation's net production for March, the last month of our fiscal year was 140 boepd. Ripper has an average working interest of 26.2% in eighteen gross oil and gas wells and a gross overriding royalty in nine gross wells. The most significant well, 15-12-39-18W4M, in which the Corporation has a 50% working interest, commenced production twentyfour months ago and is presently producing at 1.5 mmcf/d. GLJ has assigned Ripper proved producing reserves of 238,000 boe. The Corporation has various working interests in 29 gross sections of developed and undeveloped land. Coal bed methane development in areas in which the Corporation has sizable land holdings and working interests (Chigwell, Halkirk, Mikwan and Twining) may be developed through farm out agreements. Four to eight wells per section are currently being drilled for coal bed methane on three sections on which the Corporation has a gross overriding royalty.

Provost, Alberta

The Provost Cummings "Y" Unit No. 1 is located in Township 37, Range 4 W4M, approximately 170 miles northeast of Calgary, Alberta. Ripper holds a 16.543% working interest in the unit (25 gross wells) and various interests in four non-unit wells. The Corporation's average production for Provost was 32 boepd.

Subsequent to year end the unit operator has proposed a major capital expenditure program to reduce operating expenses, increase recoverable reserves and increase net production. The operator is proposing to eliminate single well batteries, tie-in each well to a central unit owned treating facility pipeline connected to sales lines, add injection capability and drill up to 10 infill wells.

Spirit River, Alberta

The Spirit River property is located in Northwestern Alberta approximately 30 miles north of the city of Grand Prairie. Ripper participated for a 50% working interest before payout in an exploratory discovery well at Spirit River drilled last summer. The well was pipeline connected for gas conservation and began flowing immediately. Subsequent to year end the operator received Good Production Practice ("GPP") from the regulatory authorities to produce the well at unrestricted rates. Ripper's net average production forecast for next year is approximately 77 boepd. The well qualifies for a one year royalty free holiday on oil.

Further evaluation of Ripper's undeveloped land is planned late next year contingent on the production performance of our discovery well. Ripper's net working interest in any future development will be 25-30%.

Shackleton, Saskatchewan

The Shackleton area is located in Townships 20-23, Ranges 15-23 W3M. Ripper has a 25% working interest in 112 sections of land in the Shackleton area of Southwest Saskatchewan, located 80 miles northwest of Swift Current, Saskatchewan. The mineral rights were acquired from a private oil and gas company for cash and drilling commitments. The \$3.9 million acquisition cost to acquire the lands prospective for shallow Milk River gas was the Corporation's single largest expense last year and accounted over fifty percent of capital expenditures. Drilling commenced in late 2003 and significant production began subsequent to year end. As of April 30, 2004, Ripper had participated for a 25% working interest in 42 Milk River test wells. An additional six wells were drilled at no cost to Ripper. After a late start in drilling operations, frequent down time due to lack of available drilling/completion equipment and extreme weather the Corporation is now, subsequent to year end, realizing cash flow from the property with eighteen wells producing. In an effort to decrease the time from completion to tie-in Ripper elected to temporarily produce through a third party facility. Additional development drilling will take place in the next fiscal year. Infrastructure is presently being built to tie-in an additional 10 gas wells. Few reserves were booked to Shackleton as the majority of production was subsequent to year end. For example, on one block of land in Shackleton proved reserves were assigned to five wells, while subsequent to year end thirteen wells were producing.

RIPPER OIL AND GAS INC.

Drilling Summary

The following table sets out the number of exploration and development wells in which Ripper participated during 2004, on a gross and net basis:

	Year Ended March 31, 2004					
	Exploratory		Development		Total	
	Gross ⁽¹⁾	Net ⁽²⁾	Gross ⁽¹⁾	Net ⁽²⁾	Gross ⁽¹⁾	Net ⁽²⁾
Crude Oil	1	.5	1	.066	2	.566
Natural Gas	21	6.25	27	6.6775	48	12.93
Dry/Abandoned	3	2.25	1	.50	4	2.75
Total	25	9	29	7.2435	54	16.24

Notes:

(1) "Gross Wells" are wells in which Ripper has an Interest.

(2) "Net Wells" are the aggregate percentage of Ripper's Interest in Gross Wells.

Reserves

An independent engineering evaluation of Ripper's oil and gas properties was conducted effective as of March 31, 2004 by Gilbert Laustsen Jung Associates Ltd. ("GLJ") in accordance with National Instrument 51-101. GLJ's Report on this evaluation is herein called the GLJ Report. For the purposes of properly understanding the reserve quantities and future net revenue data presented from GLJ's Report it is important to understand each of the following:

- The preparation date of this information is June 2, 2004.
- Reserve quantities and future net revenue amounts are based on GLJ's April 1, 2004 price forecast the relevant data from which is presented below.
- BOE's may be misleading particularly if used in isolation. In accordance with National Instrument 51-101, a BOE conversion ratio for natural gas of 6 Mcf: 1 bbl has been used which is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.
- The estimate of reserves and future net revenue for individual properties may not reflect the same confidence level as estimates of reserves and future net revenue for all properties, due to the effects of aggregation.
- Additional reserves data and other oil and gas information is filed and available on SEDAR at www.sedar.com in accordance with National Instrument 51-101.

RIPPER OIL AND GAS INC.

Summary of Oil and Gas Reserves as at March 31, 2004

Constant Prices and Costs

The following tables set forth a summary of Ripper's oil and gas reserves and net present values of future net revenue based on constant prices and costs. The prices used by GLJ for this purpose are WTI at \$US 35.76, light sweet crude at Edmonton at \$48.50, AECO-C spot price of \$6.36 and a \$US/\$Cdn exchange rate of 0.7631.

	Light/Medium Oil		NGLs		Natural Gas	
	Gross ⁽¹⁾ (mstb)	Net ⁽²⁾ (mstb)	Gross ⁽¹⁾ (mstb)	Net ⁽²⁾ (mstb)	Gross ⁽¹⁾ (mmcf)	Net ⁽²⁾ (mmcf)
Proved Producing	215.9	191.1	33.4	25.8	2,796	2,141
Proved Developed Non-Producing	-	-	0.2	0.1	246	213
Proved Undeveloped	28.2	26.8	-	-	588	543
Total Proved	244.1	217.9	33.6	25.9	3,630	2,898
Probable	41.2	37.2	6.3	4.9	1,070	902
Proved and Probable	285.4	255.1	40.0	30.8	4,699	3,800

Notes:

1. Gross Reserves means Ripper's interest (operating and non-operating) before deduction of royalties and income taxes.
2. Net Reserves means Ripper's interest (operating and non-operating) after deduction of royalties but before deduction of income taxes.

Summary of Net Present Value of Future Net Revenue as at March 31, 2004 Constant Pricing and Costs (in Cdn\$ thousands)

	Before Tax					After Tax				
	0%	5%	10%	15%	20%	0%	5%	10%	15%	20%
Proved Producing	18,294	14,019	11,526	9,892	8,732	14,012	10,824	8,958	7,730	6,858
Proved Developed Non-Producing	891	693	559	465	395					
Proved Undeveloped	2,649	1,806	1,309	989	769					
Total Proved	21,834	16,518	13,394	11,345	9,896	16,272	12,387	10,096	8,590	7,523
Probable	5,452	3,097	2,013	1,422	1,062	3,498	1,970	1,263	876	640
Proved and Probable	27,287	19,615	15,407	12,767	10,958	19,770	14,357	11,359	9,466	8,163

RIPPER OIL AND GAS INC.

Summary of Oil and Gas Reserves as at March 31, 2004

Forecast Prices and Costs

The following table sets forth a summary of Ripper's oil and gas reserves and net present values of future net revenue as at March 31, 2004 using GLJ's April 1, 2004 forecast prices and costs which are set forth below:

	Light/Medium Oil		NGLs		Natural Gas	
	Gross ⁽¹⁾ (mstb)	Net ⁽²⁾ (mstb)	Gross ⁽¹⁾ (mstb)	Net ⁽²⁾ (mstb)	Gross ⁽¹⁾ (mmcf)	Net ⁽²⁾ (mmcf)
Proved Producing	209.7	185.8	33.4	25.8	2,796	2,141
Proved Developed Non-Producing	-	-	0.2	0.1	246	211
Proved Undeveloped	28.3	27.1	-	-	588	543
Total Proved	238.1	212.9	33.6	26.0	3,630	2,896
Probable	40.7	36.9	6.3	4.8	1,068	901
Proved and Probable	278.8	249.8	39.9	30.8	4,699	3,797

Notes:

1. Gross Reserves means Ripper's interest (operating and non-operating) before deduction of royalties and income taxes.
2. Net Reserves means Ripper's interest (operating and non-operating) after deduction of royalties but before deduction of income taxes.

Summary of Net Present Value of Future Net Revenue as at March 31, 2004

Forecast Prices and Costs (in Cdn\$ thousands)

	Before Tax Discounted at					After Tax Discounted at				
	0%	5%	10%	15%	20%	0%	5%	10%	15%	20%
Proved Producing	13,436	10,530	8,833	7,714	6,914	10,873	8,575	7,222	6,327	5,686
Proved Developed Non-Producing	671	539	446	378	328	-	-	-	-	-
Proved Undeveloped	1,681	1,135	804	587	437	-	-	-	-	-
Total Proved	15,788	12,204	10,082	8,679	7,679	12,359	9,600	7,958	6,869	6,091
Probable	4,091	2,266	1,436	990	721	2,608	1,430	888	595	418
Proved and Probable	19,879	14,470	11,518	9,669	8,400	14,967	11,030	8,846	7,464	6,509

RIPPER OIL AND GAS INC.

Constant Prices and Costs

The following table sets forth the constant commodity prices used by GLJ for the purposes of the constant price cases contained in the GLJ Evaluation.

WTI Crude Oil (\$US/bbl)	Edmonton Light Crude Oil (\$CDN/bbl)	Bow River Crude Oil Stream at Hardisty (\$CDN/bbl)	Natural Gas at AECO (\$CDN/mmbtu)	Natural Gas Liquids			Currency Exchange Rate \$US/SCDN	Inflation Rate
				Edm Propane	Edm Butane	Edm C ⁵⁺		
35.76	48.50	38.75	6.36	37.50	40.50	49.00	0.7631	0.0%

The following table sets forth the actual average commodity prices received for 2003 and the forecast prices used by GLJ for the purposes of the GLJ Evaluation.

Historical and Forecast Prices									
Year	WTI Crude Oil (\$US/bbl)	Edmonton Light Crude Oil (\$CDN/bbl)	Bow River Crude Oil Stream at Hardisty (\$CDN/bbl)	Natural Gas at AECO (\$CDN/mmbtu)	Natural Gas Liquids			Currency Exchange Rate \$US/SCDN	Inflation Rate
					Edm Propane	Edm Butane	Edm C ⁵⁺		
2003									
Actual	31.07	43.66	32.11	6.66	32.14	34.36	44.23	0.721	2.8%

GLJ April 1, 2004 Price Forecast

2004	34.25	44.75	35.00	6.65	33.75	36.75	45.25	0.750	1.5%
2005	29.00	37.75	30.25	5.55	25.75	28.75	38.25	0.750	1.5%
2006	27.00	35.25	28.75	5.20	23.25	25.25	35.75	0.750	1.5%
2007	25.00	32.50	26.00	5.00	20.50	22.50	33.00	0.750	1.5%
2008	25.00	32.50	26.00	5.00	20.50	22.50	33.00	0.750	1.5%
2009	25.00	32.50	26.00	5.00	20.50	22.50	33.00	0.750	1.5%
2010	25.50	33.00	26.50	5.10	21.00	23.00	33.50	0.750	1.5%
2011	25.75	33.50	27.00	5.20	21.50	23.50	34.00	0.750	1.5%
2012	26.25	34.00	27.50	5.25	21.75	24.00	34.50	0.750	1.5%
2013	26.50	34.50	28.00	5.35	22.00	24.50	35.00	0.750	1.5%
2014	27.00	35.00	28.50	5.45	22.50	24.75	35.50	0.750	1.5%
thereafter	Escalate at 1.5% per year								

RIPPER OIL AND GAS INC.

Reconciliation of Changes in Net Reserves Using Forecast Prices and Costs

The following table sets forth a reconciliation of Ripper's total net proved, probable and proved plus probable reserves as at March 31, 2004 against such reserves as at March 31, 2003 based on forecast price and cost assumptions.

	Light and Medium Oil			NGLs			Natural Gas		
	Net Proved (mbbl)	Net Probable (mbbl)	Net Proved Plus Probable (mbbl)	Net Proved (mbbl)	Net Probable (mbbl)	Net Proved Plus Probable (mbbl)	Net Proved (mmcf)	Net Probable (mmcf)	Net Proved Plus Probable (mmcf)
March 31, 2003	222	28	250	20	2	22	1,112	189	1,301
Extensions	1	-	1	-	-	-	654	403	1,058
Improved Recovery	-	-	-	-	-	-	25	12	36
Technical Revisions	-9	8	-1	9	4	13	1,407	302	1,709
Discoveries	40	6	46	1	-	1	184	28	212
Acquisitions	-	-	-	-	-	-	-	-	-
Dispositions	-21	-5	-26	-2	-1	-2	-160	-31	-191
Economic Factors	-	-1	-1	-	-	-	-1	-2	-2
Production	-21	-	-21	-2	-	-2	-324	-	-324
March 31, 2004	213	37	250	26	5	31	2,896	901	3,797

The reserve estimates for the opening balance were prepared using National Policy 2-B reserves definitions. For purpose of the comparison reflected in this table the probable reserves for the opening balance estimated under National Policy 2-B have been risked at 50%.

RIPPER OIL AND GAS INC.

Reconciliation of Changes in Net Present Values of Future Net Revenue Discounted at 10%

Total Proved Reserves Constant Prices and Costs (in Cdn\$ Thousands)

Period and Factor	After Tax 2004	Before Tax 2004
Estimated Net Present Value as at March 31, 2003	5,912	8,167
Oil and Gas Sales During the Period Net of Production Costs and Royalties ⁽¹⁾	(2,690)	(2,690)
Changes due to Prices and Royalties Related to Forecast Production ⁽²⁾	66	66
Development Costs During the Period ⁽³⁾⁽⁹⁾	7,650	7,650
Changes in Forecast Development Costs ⁽⁴⁾	(7,631)	(7,631)
Changes Resulting from Extensions and Improved Recovery ⁽⁵⁾	2,169	2,169
Changes Resulting from Discoveries ⁽⁵⁾	1,274	1,274
Changes Resulting from Acquisitions of Reserves ⁽⁵⁾	-	-
Changes Resulting from Dispositions of Reserves ⁽⁵⁾	(895)	(895)
Accretion of Discount ⁽⁶⁾	817	817
Net Change in Income Taxes ⁽⁷⁾	(1,043)	-
Changes Resulting from Technical Reserves Revisions	4,612	4,612
All Other Changes ⁽⁸⁾	(145)	(145)
Estimated Net Present Value as at March 31, 2004	10,096	13,394

(1) Company actual before income taxes, excluding G&A.

(2) The impact of changes in prices and other economic factors on future net reserves.

(3) Actual capital expenditures relating to the exploration, development and production of oil and gas reserves.

(4) The change in forecast development costs.

(5) End of period net present value of the related reserves.

(6) Estimated as 10% of the beginning of period net present value.

(7) The difference between forecast income taxes at beginning of period and the actual taxes for the period plus forecast income taxes at the end of period.

(8) Includes changes due to revised production profiles, development timing, operating costs, royalty rates, actual price received versus forecast, etc.

(9) Unproved property acquisition costs included are \$3,891,000.

RIPPER OIL AND GAS INC.

Management's Discussion and Analysis

The following discussion and analysis has been prepared by management, and reviewed and approved by the Board of Directors of Ripper Oil and Gas Inc. The discussion and analysis is a review of the operational results of the Corporation with disclosure of oil and gas activities in accordance with Canadian Securities Regulators National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities (NI 51-101) and a review of financial results of the Corporation based upon accounting principles generally accepted in Canada. Its focus is primarily a comparison of the operational and financial performance for the years ended March 31, 2004 and 2003 and should be read in conjunction with the audited financial statements and accompanying notes. Further information on the Corporation including its filings under NI 51-101 is on SEDAR at www.sedar.com. The discussion and analysis has been prepared as of July 18, 2004.

For the purpose of calculating unit costs, natural gas volumes have been converted to a barrel equivalent (boe) using six thousand cubic feet equal to one barrel unless otherwise stated. A boe conversion ratio of 6:1 is based upon energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. This conversion conforms with NI 51-101. Boes may be misleading, particularly if used in isolation.

Cash flow from operations is not a recognized measure under Canadian generally accepted accounting principles. Management believes that cash flow from operations is a useful measure of financial performance. For the purposes of cash flow from operations calculation, cash flow is defined as "Cash flow from operating activities" before changes in non-cash operating working capital. The Corporation also presents cash flow from operations per share whereby amounts per share are calculated using weighted average shares outstanding consistent with the calculation of earnings per share. Cash flow from operations and funds from operations as noted in the financial statements are terms that are used synonymously.

Certain information regarding Ripper Oil and Gas Inc. set forth in this document, including management's assessment of the Corporation's future plans and operations, contains forward-looking statements that involve substantial known and unknown risks and uncertainties. These forward-looking statements are subject to numerous risks and uncertainties, certain of which are beyond the Corporation's control, including the impact of general economic conditions, industry conditions, volatility of commodity prices, currency fluctuations, imprecision of reserve estimates, environmental risks, competition from other oil and gas companies, the lack of availability of qualified personnel or management, stock market volatility and ability to access sufficient capital from both internal and external sources. The Corporation's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements, and accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur. The Corporation assumes no obligation to publicly update or revise any forward-looking information.

Overview of Fiscal 2004

The year ended March 31, 2004 was characterized by strong commodity prices and low interest rates.

In June 2003, Ripper moved its focus from the purchase of producing oil and gas properties to full cycle exploration and development activity. This change was necessitated by the high prices required to purchase producing properties. The change also required the raising of capital, the acquisition of undeveloped acreage and the drilling of a significant number of wells. The results of this initiative are just now being realized.

RIPPER OIL AND GAS INC.

Selected Annual Financial Information

	2004	2003	2002
	\$	\$	\$
Net revenue	4,313,254	2,072,679	823,511
Net income	1,377,772	478,549	164,221
Per share – Basic and diluted	0.10	0.06	0.02
Total assets	10,303,677	3,698,538	2,455,749
Future site restoration	(243,921)	(108,556)	(33,900)
Current (income taxes) recovery	5,103	(259,000)	-
Future income taxes	678,218	-	-
Outstanding shares			
Period end - basic	15,059,000	8,552,000	8,304,250
- diluted	15,889,000	9,382,000	8,754,250

Net revenue has increased year over year mostly due to increases in production volumes. Net income for 2004 is higher because of higher natural gas volumes and prices and the sale of a property in June 2003, that gave rise to a before income tax gain of \$922,554 (approximately \$550,000 after income tax) for accounting purposes. As this is an unusual situation in an oil and gas company using full cost accounting principles we do not foresee this being a regular occurrence. The proceeds from this property sale as well as two private placements of common shares financed our exploration and development activities in Southwest Saskatchewan, where capital expenditures amounting to \$6.6 million were made during the year.

RIPPER OIL AND GAS INC.

Results of Operations

Production, Prices and Sales 2004

	Q1	Q2	Q3	Q4	Year
Production – daily average					
Oil and NGLs (bbls/d)	83	76	92	77	85
Natural Gas (mcf/d)	698	1,290	1,397	1,702	1,274
Total (boe/d)	200	291	324	361	297
Average sales prices					
Oil and NGLs (\$/bbl)	35.90	35.71	42.89	34.38	36.71
Natural Gas (\$/mcf)	7.21	6.20	5.89	6.60	6.38
Gross petroleum and natural gas sales	722,105	980,786	1,055,813	1,353,789	4,112,493

2003

Production – daily average					
Oil and NGLs (bbls/d)	83	75	94	85	84
Natural Gas (mcf/d)	562	568	790	653	644
Total (boe/d)	177	170	226	194	191
Average sales prices					
Oil and NGLs (\$/bbl)	35.23	37.13	36.81	44.70	38.46
Natural Gas (\$/mcf)	3.92	3.21	5.67	9.61	5.72
Gross petroleum and natural gas sales	465,684	423,699	731,087	907,612	2,528,082

Production Revenue

Average oil and gas sales prices remained strong in 2004. Gas prices are expected to remain strong while oil prices may decline if geo-political risks that have given rise to a premium to the price of oil are resolved. Production from the Corporation's exploration and development initiative began after year end. Ripper anticipates significant gas production growth, that will be tempered by the time and cost required to get transportation infrastructure in place. No oil and gas has been hedged.

Operating Expenses

Operating expenses declined to \$6.42 per boe compared to \$6.94 per boe last year as high productivity gas wells came on stream this year. Most of the Corporation's properties are non-operated which means Ripper has limited ability to control these costs. Ripper anticipates that operating expenses on a boe basis will remain constant or decline slightly during the next year.

Royalties

Oil and gas royalties, net of Alberta Royalty Tax Credit remained constant at 18% of petroleum and natural gas sales. This average royalty rate is expected to remain constant.

RIPPER OIL AND GAS INC.

General and Administrative (G&A)

	2004 (\$)	2003 (\$)
Total G&A	639,444	412,577
Capitalized portion	(60,609)	(52,052)
Net	578,835	360,525
G&A per boe	5.32	5.17

The Corporation capitalizes that portion of its general and administrative costs related to both the purchase and sale of properties as well as exploration activities. The major portion of the increase for 2004 was \$136,594 relating to Ripper's early adoption of the Canadian Institute of Chartered Accountants recommendations on accounting for stock based compensation. We anticipate that G&A costs will increase in the future as the Corporation complies with the public company reporting initiatives recently implemented by various regulatory agencies.

Capital Expenditures

	2004 (\$)	2003 (\$)
Land	3,890,926	3,508
Geological and geophysical	118,607	-
Drilling and completions	3,271,001	90,052
Production equipment	480,431	-
Acquisitions of properties and equipment	-	1,002,303
Other	67,387	56,689
	7,828,352	1,152,552

Ripper expended \$6.6 million of its 2004 capital expenditures on its Southwest Saskatchewan project. \$3.1 million of the undeveloped land acquisition costs in Saskatchewan have been excluded from costs subject to depletion until proved reserves have been determined or their value is impaired. These properties will be reviewed quarterly and any impairment will be transferred to costs being depleted.

RIPPER OIL AND GAS INC.

The following table sets forth certain quarterly information of the Corporation for the last two fiscal years:

2004	Q1	Q2	Q3	Q4	Year
Petroleum & natural gas sales (after royalties)	602,228	802,056	871,301	1,112,841	3,388,426
Cash flow from operations	419,965	491,934	578,955	755,514	2,246,368
Per share – basic	0.04	0.03	0.04	0.05	0.16
Per share – diluted	0.04	0.03	0.04	0.05	0.16
Net income	711,942	153,761	185,296	326,773	1,377,772
Per share – basic	0.07	0.01	0.01	0.01	0.10
Per share – diluted	0.07	0.01	0.01	0.01	0.10
Capital expenditures	4,221,397	1,364,917	838,371	1,403,667	7,828,352
Dispositions	(1,200,191)	(154,000)	-	-	(1,354,191)
Bank indebtedness	221,864	-	253,926	150,000	150,000
Working capital					
(excluding bank debt)	427,188	(513,660)	(519,150)	(1,271,227)	(1,271,227)
Shareholder's equity	6,434,556	6,588,317	6,796,156	7,236,701	7,236,701

2003					
Petroleum & natural gas sales (after royalties)	407,353	322,749	611,410	724,042	2,065,554
Cash flow from operations	223,399	147,082	229,972	364,474	964,927
Per share – basic	0.03	0.01	0.03	0.04	0.11
Per share – diluted	0.03	0.01	0.03	0.04	0.11
Net income	121,491	49,214	61,653	246,191	478,549
Per share – basic	0.01	0.01	0.01	0.03	0.06
Per share – diluted	0.01	0.01	0.01	0.03	0.06
Capital expenditures	32,973	50,459	733,900	335,221	1,152,553
Dispositions			-	-	
Bank indebtedness	-	-	297,911	213,374	213,374
Working capital					
(excluding bank debt)	129,953	226,578	70,110	14,827	14,827
Shareholder's equity	2,298,570	2,247,784	2,459,744	2,708,205	2,708,205

Liquidity and Capital Resources

Capital expenditures of \$7,828,295 were financed through a combination of cash flow, the proceeds of private placements of common shares completed during the year and the sale of properties.

In May of 2003 the Corporation issued 1,507,000 common shares through a private placement for gross proceeds of \$527,450. Related parties, being directors and officers, participated on the same basis as non-insiders for 685,713 common shares or 45.5% of the issue. In June of 2003 the Corporation issued a further 5,000,000 common shares through a private placement for gross proceeds of \$2,500,000. Related parties, being directors and officers, participated on the same basis as non-insiders for 620,000 common shares or 12.4% of the issue. Ripper also closed the sale of a property in June 2003 for \$1,200,000. The proceeds from these transactions enabled Ripper to purchase a 25% interest in 112 sections of land in Southwest Saskatchewan and participate in a major drilling program.

As at March 31, 2004 the Corporation had a working capital deficiency of \$1,421,227 including bank indebtedness of \$150,000. A significant amount of this deficiency is due to accrued liabilities relating to the Southwest Saskatchewan capital programs. The unused portion of Ripper's demand loan facility of \$2,850,000 is more than adequate to meet obligations as they become due and the loan will be reduced by Ripper's cash flow over time.

RIPPER OIL AND GAS INC.

The Corporation expects to negotiate an increase in its bank line to provide further flexibility for its capital expenditure program.

Ripper had outstanding commitments of \$1.1 million at March 31, 2004 for drilling and pipeline costs not yet incurred and it is anticipated that it will incur a further \$1.5 million on its Southwest Saskatchewan projects. At year end this program contributed less than \$14,000 in revenue to the Corporation. The project started to generate revenue in the first quarter as the gas wells were brought on stream.

Fourth Quarter Results

The quarter ending March 31, 2004 was characterized by increased natural gas sales and prices somewhat mitigated by lower oil and liquids production and sales from the previous quarter. General and administrative expenses increased mainly due to the early adoption of the Canadian Institute of Chartered Accountants recommendations on accounting for stock based compensation (\$136,594).

Capital expenditures on our Southwest Saskatchewan project increased from the prior quarter resulting in a corresponding increase in our bank debt and working capital deficiency. Depletion rates and the subsequent expense increased from \$7.49 per boe in the third quarter to \$8.61 per boe in the fourth quarter. This was due to the fact that costs of the Southwest Saskatchewan project had been held out of the depletable base until a meaningful economic evaluation could be provided. As we were able to assign reserves to this project at year end costs were included in the depletion base. It is expected that Ripper will continue to expend capital on this project proving up further reserves and bank debt will continue to increase, net of our base revenue, until significant cash flow is received from these gas properties.

New Accounting Pronouncements

Asset Retirement Obligations

CICA Handbook Section 3110, "Asset Retirement Obligations" requires liability recognition for retirement obligations associated with the Corporation's property, plant and equipment. The obligations are initially measured at fair value, which is the discounted future value of the liability. The fair value is capitalized as part of the cost of the related assets and amortized to expense over their useful lives. The liability accretes until the retirement obligations are settled. Section 3110 is effective for fiscal years beginning on or after January 1, 2004. The site restoration liability currently on the balance sheets, which has been calculated using the unit-of-production method, will be reversed on April 1, 2004. The Corporation is currently evaluating the impact of this standard on its financial statements.

Petroleum and Natural Gas Assets - Full Cost Accounting

CICA Accounting Guideline 16: Oil and Gas Accounting – Full Cost ("AcG-16") establishes new rules for assessing asset impairment. AcG-16 utilizes a ceiling test which incorporates expected future prices and costs in the determination of future cash flows as opposed to the current criteria of using constant year end prices and costs. This guideline is effective for fiscal years beginning on or after January 1, 2004. If we had implemented AcG-16 for the year ended March 31, 2004, no ceiling test write-down would have been required, which is a result consistent with that achieved under the current ceiling test guideline.

RIPPER OIL AND GAS INC.

Risks and Uncertainties

Ripper Oil and Gas Inc. is engaged in the exploration, development and production of crude oil and natural gas. The oil and gas business is inherently risky and there is no assurance that hydrocarbon reserves will be discovered and economically produced. Operational risks include competition, reservoir performance uncertainties, environmental factors, and regulatory, environment and safety concerns. Financial risks associated with the petroleum industry include fluctuations in commodity prices, interest rates, currency exchange rates and the cost of goods and services. Due to its small size the Corporation has no influence on many of these financial risks. During the preceding year commodity prices were robust. Although Ripper anticipates that price will remain high, especially natural gas, the Corporation has no control over decreases in price caused either by decreases in underlying product price or increased negative changes in exchange rates.

The Corporation employs highly qualified people, uses sound operating and business practices, and evaluates all potential and existing wells using the latest applicable technology. Ripper complies with government regulations and has in place an up-to-date emergency response plan. Environmental and safety policies and standards are adhered to. Liabilities for future abandonment and restoration costs are assessed and provided for annually. Ripper maintains property and liability insurance coverage. The coverage provides a reasonable amount of protection from risk of loss; however, not all risks are foreseeable.

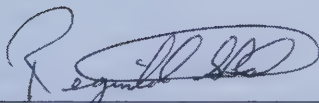
RIPPER OIL AND GAS INC.

Management's Report

The accompanying financial statements and other financial and operating information contained in this Annual Report are the responsibility of the management of Ripper Oil and Gas Inc. The section entitled "Management's Discussion and Analysis" reflects the opinions of management of the current and future trends within the oil and gas industry and the impact these may have on Ripper Oil and Gas Inc.

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. The Corporation's systems of internal control have been created and maintained to provide reasonable assurance that assets are properly safeguarded and that the financial records are sufficiently well maintained to provide relevant, timely and reliable information to management and to allow preparation of financial statements in accordance with the Corporation's accounting policies. Certain estimates are made by management in the preparation of the financial statements. In management's opinion, the financial statements have been prepared within reasonable limits of materiality and within a framework of the significant accounting policies summarized in the notes to the financial statements.

Ernst & Young LLP, an independent firm of chartered accountants, have been appointed by the shareholders to examine the financial statements and to report to the shareholders. They have performed such tests as they deemed necessary to enable them to express an opinion on these financial statements. The Audit Committee consisting of a majority of non-management directors, met with Ernst & Young LLP and with management to discuss the overall scope of the audit and to review the financial statements. The Audit Committee has reported its findings to the Board of Directors, who have approved the financial statements.



R.G. (Jerry) Ball
President and Chief Executive Officer



John B. McPherson
Vice President and Chief Financial Officer

Calgary, Alberta
July 18, 2004

RIPPER OIL AND GAS INC.

Auditors' Report

To the Shareholders of
Ripper Oil and Gas Inc.

We have audited the balance sheets of **Ripper Oil and Gas Inc.** as at March 31, 2004 and 2003 and the statements of income and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2004 and 2003 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Calgary, Canada
July 18, 2004

Chartered Accountants

RIPPER OIL AND GAS INC.

Balance Sheets

<i>as at March 31</i>	2004 (\$)	2003 (\$)
ASSETS (note 5)		
Current		
Cash	15,146	-
Accounts receivable	701,516	671,491
Prepaid expenses and deposits	15,966	11,739
	<u>732,628</u>	<u>683,230</u>
Property and equipment (note 4)	9,571,049	3,015,308
	<u>10,303,677</u>	<u>3,698,538</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	2,003,855	668,403
Bank indebtedness (note 5)	150,000	213,374
	<u>2,153,855</u>	<u>881,777</u>
Future site restoration	243,921	108,556
Future income taxes (note 8)	669,200	-
	<u>3,066,976</u>	<u>990,333</u>
Commitments (note 11)		
SHAREHOLDERS' EQUITY		
Share capital (note 6)	5,076,538	2,062,408
Contributed surplus (note 3)	139,621	3,027
Retained earnings	2,020,542	642,770
	<u>7,236,701</u>	<u>2,708,205</u>
	<u>10,303,677</u>	<u>3,698,538</u>

See accompanying notes

Approved on behalf of the Board:

(Signed) R.G. (Jerry) Ball
Director

(Signed) David M. Calnan
Director

RIPPER OIL AND GAS INC.

Statements of Income and Retained Earnings

For the years ended March 31	2004 (\$)	2003 (\$)
Revenue		
Petroleum and natural gas sales	4,112,493	2,528,082
Royalties (net of Alberta Royalty Tax Credit)	(724,067)	(462,528)
	3,388,426	2,065,554
Other income	2,274	7,125
Gain on sale of property and equipment	922,554	-
	4,313,254	2,072,679
Expenses		
Production	698,009	484,008
General and administrative	578,835	360,525
Interest	9,185	7,246
Future site restoration	135,500	75,200
Depletion and depreciation	840,838	408,151
	2,262,367	1,335,130
Income before income taxes	2,050,887	737,549
Income taxes (note 8)		
- Current	5,103	(259,000)
- Future	(678,218)	-
	(673,115)	(259,000)
Net income for the year	1,377,772	478,549
Retained earnings, beginning of year	642,770	164,221
Retained earnings, end of year	2,020,542	642,770
Net income per share (note 7)		
Basic and diluted	0.10	0.06

See accompanying notes

RIPPER OIL AND GAS INC.

Statements of Cash Flows

For the years ended March 31	2004 (\$)	2003 (\$)
Operating Activities		
Net income for the year	1,377,772	478,549
Add non cash items		
Gain on sale of property and equipment	(922,554)	-
Depletion, depreciation and site restoration	976,338	483,351
Stock based compensation (note 3)	136,594	3,027
Future income taxes (note 8)	678,218	-
Cash flow from operations	2,246,368	964,927
Net change in non-cash working capital – operating (note 9)	468,468	(518)
	2,714,836	964,409
Financing Activities		
Share issuances	3,027,450	49,550
Share issue costs	(22,338)	-
Increase (decrease) in bank indebtedness	(63,374)	138,593
	2,941,738	188,143
Investing Activities		
Expenditures on property and equipment	(7,828,217)	(1,152,008)
Site restoration expenditures	(135)	(544)
Proceeds from disposition of property and equipment	1,354,192	-
Net change in non-cash working capital – investing (note 9)	832,732	-
	(5,641,428)	(1,152,552)
Increase in cash	15,146	-
Cash, beginning of year	-	-
Cash, end of year	15,146	-
Cash income taxes paid	237,026	5,444
Cash interest paid	9,185	7,246

See accompanying notes

RIPPER OIL AND GAS INC.

Notes to Financial Statements

March 31, 2004 and 2003

1. INCORPORATION AND NATURE OF BUSINESS

The Corporation was incorporated as Old Sun Resources Ltd. Under the Business Corporations Act (Alberta) on October 20, 2000, as a Capital Pool Company as defined in the Canadian Venture Exchange Inc. (the "Exchange") Policy 2.4 entitled "Capital Pool Companies" which such policy was adopted by the Alberta Securities Commission pursuant to Blanket Order 46-502(AB). Upon incorporation, the Corporation issued 2,000,000 common shares for cash of \$200,000. On June 8, 2001, the Corporation completed its Major Transaction, commenced operations and ceased to be a Capital Pool Company. On June 11, 2001 a Certificate of Amendment was granted changing its name to Ripper Oil and Gas Inc.

The Corporation is engaged in the exploration, development and production of oil and natural gas solely in Canada.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Ripper Oil and Gas Inc. ("Ripper" or the "Corporation") have been prepared in accordance with Canadian generally accepted accounting principles. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements necessarily involves the use of estimates and approximations that have been made using careful judgement. The financial statements have, in management's opinion been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below.

Property and equipment

The Corporation follows the full cost method of accounting for petroleum and natural gas assets whereby all costs related to the acquisition of petroleum and natural gas assets are capitalized. Such costs include land and lease acquisition costs, annual carrying charges of non-producing properties, geological and geophysical costs, and costs of drilling and equipping productive and non-productive wells and capitalized general and administrative costs. Proceeds from disposals are applied as a reduction to capital assets without recognition of a gain or loss unless the disposal would result in a change of 20% or more in the depletion rate.

Depreciation and depletion of capitalized assets is computed using the unit-of-production method based on the estimated gross proven reserves of oil and gas determined by independent consultants. For purposes of the depletion calculation, reserves are converted to common units on the basis that six thousand cubic feet of natural gas is equivalent to one barrel of oil and liquids.

The Corporation applies a ceiling test to capitalized assets on an annual basis to ensure that such costs do not exceed future net revenues from production of proven reserves at year end market prices less future production, general and administrative, financing, site restoration, and income tax costs plus the lower of cost or estimated market value of unproved properties.

Office equipment is recorded at cost. Depreciation is provided on a basis and at rates designed to amortize the costs of the assets over their estimated useful lives. Depreciation is recorded using the declining balance method at the following annual rates:

Furniture and fixtures	20%
Computer equipment	33%

RIPPER OIL AND GAS INC.

Notes to Financial Statements

March 31, 2004 and 2003

Future site restoration costs

Estimated future site restoration costs are provided using the unit-of-production method based on estimated proven reserves. The estimate is based on currently known information, estimated timing of remedial actions, existing legislation and technology. Changes in these factors may result in material changes to estimated costs, which will be recognized prospectively when known. The charge is accounted for as an expense and the accumulated provision is reflected as a deferred liability. Actual site restoration costs are deducted from the accumulated deferred liability in the year incurred.

Joint operations

The majority of the oil and gas operations of the Corporation are conducted jointly with others and accordingly these financial statements reflect only the proportionate interests of the Corporation in such activities.

Income taxes

The Corporation follows the liability method of accounting for income taxes. Under this method, future income tax liabilities and future income tax assets are recorded based on temporary differences – the difference between the carrying amount of an asset and liability in the balance sheet and its tax basis and for the carry forward of unused tax losses and income tax deductions. Future income tax assets and liabilities are measured using income tax rates expected to apply in the years in which temporary differences are expected to be recovered or settled. The effect on future income tax assets and liabilities of a change in tax rates is included in income in the period that the change is substantially enacted. Future income tax assets are evaluated and if realization is not considered “more likely than not”, a valuation allowance is provided.

Net income per share

Basic income per share is calculated on the basis of the weighted average number of shares outstanding for the year.

The Corporation follows the treasury stock method of calculating diluted income per share. The treasury stock method assumes any proceeds obtained upon exercise of in the money options would be used to purchase common shares at the average market price during the year.

Net income per share calculations are based on net income as the numerator in the calculation and the weighted average number of common shares outstanding during the year as the denominator.

There are no significant differences between income and the weighted average number of shares used in the calculation of basic income per share and that used in the calculation of diluted income per share.

Stock-based compensation

Under the Corporation’s stock option plan, options to purchase common shares are granted to directors, officers and employees at current market prices. Options issued by the Corporation in fiscal 2004 are accounted for in accordance with the fair value method of accounting for stock-based compensation, and as such the cost of the option is charged to earnings with an offsetting amount recorded to contributed surplus, based on an estimate of the fair value determined using Black-Scholes options pricing model. No compensation expense has been recorded on options issued in fiscal 2003, other than that related to stock options awards granted to non-employees (see note 3).

RIPPER OIL AND GAS INC.

Notes to Financial Statements

March 31, 2004 and 2003

Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses. The impact on the financial statements of changes in such estimates and assumptions in future periods could be material.

3. CHANGE IN ACCOUNTING POLICY

Stock-based compensation

Effective April 1, 2003, the Corporation adopted the recommendations of the Canadian Institute of Chartered Accounts ("CICA") on accounting for stock-based compensation. As permitted by this new pronouncement, the Corporation prospectively adopted the fair method of accounting for stock options granted to employees and directors, as is already done for direct awards of stock to employees and stock option awards granted to non-employees. Stock-based compensation is recorded in the statement of income as general and administrative expense for all options granted on or after April 1, 2003, with a corresponding increase recorded as contributed surplus. Compensation expense for options is based on the estimated fair values at the time of the grant and the expense is recognized over the vesting period of the option. Using the assumptions disclosed in note 6, the fair value of options granted during 2004 was \$136,594 which was recognized as general and administrative expense in the 2004 statement of income based on when these options vest. There was no impact on basic and diluted net income per share figures for fiscal 2004. During the year ended March 31, 2003, the Corporation granted 15,000 stock option awards to non-employees. The fair value for these options in the amount of \$3,027 was calculated using the assumptions disclosed in note 6 and was recognized as general and administrative expense in the 2003 statement of income. There was no impact on basic and diluted net income per share figures.

Upon the exercise of the stock options, consideration paid together with the amount previously recognized in contributed surplus is recorded as an increase in share capital. The Corporation has not incorporated an estimated forfeiture rate for stock options that will not vest; rather the Corporation accounts for forfeitures as they occur. In the event that vested options expire without being exercised, previously recognized compensation expense associated with such stock options is not reversed. For options granted prior to April 1, 2003, other than those granted to non-employees, the Corporation continues to disclose the pro forma earnings impact of related stock-based compensation expense as is permitted by the new accounting pronouncement (see note 6).

RIPPER OIL AND GAS INC.

Notes to Financial Statements

March 31, 2004 and 2003

4. PROPERTY AND EQUIPMENT

	2004		
	Cost \$	Accumulated Depletion and Depreciation \$	Net Book Value \$
Petroleum and natural gas properties and equipment	11,051,577	1,503,900	9,547,677
Office equipment	42,376	19,004	23,372
	11,093,953	1,522,904	9,571,049

	2003		
	Cost \$	Accumulated Depletion and Depreciation \$	Net Book Value \$
Petroleum and natural gas properties and equipment	3,661,775	670,400	2,991,375
Office equipment	35,599	11,666	23,933
	3,697,374	682,066	3,015,308

During the year the Corporation capitalized general and administrative expenditures of \$60,609 (2003-\$52,052) directly related to exploration, development and acquisition activities.

At March 31, 2004, \$3,098,050 of undeveloped properties (2003 - \$nil) have been excluded from costs subject to depletion and depreciation.

5. BANK INDEBTEDNESS

During the year the Corporation entered into a new demand revolving loan facility with an available limit of \$2,850,000, which bears interest at the bank's prime rate plus 0.75% or 4.75% as at March 31, 2004. There are no specified repayment terms for this loan facility. In 2003 the Corporation had a demand revolving loan facility with an available limit of \$1,900,000 which bore interest at the bank's prime rate plus 0.75% or 5.75% as at March 31, 2003 and required monthly payments of \$45,000 beginning May 1, 2003. A first fixed and floating charge debenture in the amount of \$7,000,000 (2003 - \$3,000,000) over all the assets of the Corporation has been provided as collateral. Although the Corporation intends to refinance its loans annually, demand loans are required to be classified as current liabilities.

RIPPER OIL AND GAS INC.

Notes to Financial Statements

March 31, 2004 and 2003

6. SHARE CAPITAL

Authorized:

Unlimited number of common shares

Unlimited number of preferred shares, of which none have been issued

	Number of Shares	Amount \$
Common Shares		
Balance, March 31, 2002	8,304,250	2,012,858
Agents options exercised	247,750	49,550
Balance, March 31, 2003	8,552,000	2,062,408
Shares issued pursuant to private placements (note 10)	6,507,000	3,027,450
Share issue costs (net of future income taxes)	-	(13,320)
Balance, March 31, 2004	15,059,000	5,076,538

Stock option plan

The Corporation has a stock option plan, which is administered by the Board of Directors, in which up to 10% of the issued common shares are reserved for issuance pursuant to this plan. The options vest on issuance and expire the earlier of five years from the date of grant or either 30 days or three months from the date from which the optionee ceases to be a director, officer, employee or consultant of the Corporation. The outstanding options expire on dates in 2006, 2007 and 2008. The following options have been issued:

	2004		2003	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Balance, beginning of year	830,000	0.25	450,000	0.20
Granted	150,000	1.25	380,000	0.30
Balance, end of year	980,000	0.40	830,000	0.25
Exercisable, end of year	980,000	0.40	830,000	0.25

RIPPER OIL AND GAS INC.

Notes to Financial Statements

March 31, 2004 and 2003

The following table summarizes information about stock options outstanding and exercisable:

Exercise Prices \$	2004		2003	
	Number of Options	Weighted Average Remaining Contractual Life (years)	Number of Options	Weighted Average Remaining Contractual Life (years)
0.20	450,000	2.04	450,000	3.04
0.30	380,000	3.67	380,000	4.68
1.25	150,000	4.67	-	-
	<u>980,000</u>	3.07	<u>830,000</u>	3.79

Stock-based compensation

As discussed in note 3, the Corporation continues to disclose the pro forma impact of stock options granted in the year ended March 31, 2003. Had compensation expense been determined based on the fair value method for options granted in the year ended March 31, 2003, using the Black-Scholes option pricing model, the Corporation's net income and net income per share would have been adjusted to pro forma amounts indicated below:

	2003 \$
Net income for the year – as reported	478,549
Net income for the year – pro forma	435,176
Basic net income per share – as reported	0.06
Basic net income per share – pro forma	0.05
Diluted net income per share – as reported	0.06
Diluted net income per share – pro forma	0.05

The pro forma amounts exclude the effect of stock options granted prior to April 1, 2002.

The following table sets out the assumptions used in applying the Black-Scholes model:

	2004	2003
Risk free interest rate (%)	4.5	4.5
Expected life (years)	5.0	5.0
Expected volatility (%)	89	99

RIPPER OIL AND GAS INC.

Notes to Financial Statements

March 31, 2004 and 2003

7. WEIGHTED AVERAGE NUMBER OF COMMON SHARES

	2004	2003
Weighted average number of common shares outstanding during the year	13,819,183	8,416,925
Diluted number of common shares outstanding during the year	14,446,759	8,566,925

Diluted earnings per share reflect the dilutive effect of the exercise of the vested stock options outstanding which are “in the money”, meaning that their exercise price exceeds the average market price of the Corporation’s common shares for the year.

8. INCOME TAXES

Income tax expense differs from the amount that would be computed by applying the federal and provincial statutory rate of 40.37% (2003 – 42.12%) to income before income taxes as follows:

	2004 \$	2003 \$
Computed income tax expense	827,943	310,656
Add (deduct) income tax effect of:		
Non-deductible crown charges	144,122	77,918
Resource allowance	(221,548)	(108,953)
Rate adjustment on reversal of future income tax	(134,358)	-
Non-deductible stock option expense	55,143	1,275
Other	6,916	(21,896)
Future income taxes	678,218	-
Income tax (recovery) expense	(5,103)	259,000
	<u>673,115</u>	<u>259,000</u>

RIPPER OIL AND GAS INC.

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Future income taxes

Future income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

The components of the Corporation's future income taxes are as follows:

	2004 \$	2003 \$
Net book value of property and equipment in excess of tax pools	(808,776)	(96,866)
Future site restoration	82,006	45,724
Share issue costs	29,119	46,996
Resource allowance rate reductions	28,451	6,123
	(669,200)	1,977
Valuation allowance	-	(1,977)
Future income taxes	(669,200)	-

As at March 31, 2004, the Corporation had tax pools totalling approximately \$7.2 million available for deduction against future taxable income relating to Canadian oil and gas property costs, Canadian Exploration costs, Canadian Development costs and undepreciated capital costs.

9. NET CHANGE IN NON-CASH WORKING CAPITAL ITEMS

	2004 \$	2003 \$
Accounts receivable	(30,025)	(504,624)
Prepaid expenses and deposits	(4,227)	5,692
Accounts payable and accrued liabilities	1,335,452	498,414
	1,301,200	(518)

The change in non-cash working capital relates to the following activities:

Operating	468,468	(518)
Investing	832,732	-
	1,301,200	(518)

RIPPER OIL AND GAS INC.

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10. RELATED PARTY TRANSACTIONS

During the year ended March 31, 2004 the Corporation closed a private placement of its common shares. A total of 1,507,000 common shares were issued at a cash price of \$0.35 per share. Related parties, being directors and officers, participated on the same basis as non related parties for 685,713 common shares or 45.5% of the issue.

Also during the year ended March 31, 2004 the Corporation closed a second private placement of its common shares. A total of 5,000,000 common shares were issued at a cash price of \$0.50 per share. Related parties, being directors and officers, participated on the same basis as non related parties for 620,000 common shares or 12.4% of the issue.

During the year the Corporation paid \$11,751 (2003 - \$6,131) for legal services from a law firm of which a director is a partner. As at March 31, 2004 and 2003 the Corporation had no accounts payable to this law firm.

These transactions were in the normal course of operations and were measured at the exchange amount.

11. COMMITMENTS

The minimum rental payments under long-term sub lease office space, excluding certain operating costs for which the Corporation is responsible, are as follows:

	<u>\$</u>
2005	21,656
2006	<u>5,414</u>
	<u>27,070</u>

RIPPER OIL AND GAS INC.

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12. FINANCIAL INSTRUMENTS

Fair value of financial assets and liabilities

The fair values of financial instruments comprising cash, accounts receivable, accounts payable and accrued liabilities and bank indebtedness approximate their carrying values.

Risk management

The nature of operations and the issuance of debt expose the Corporation to fluctuations in commodity prices, foreign currency exchange rates and interest rates. The Corporation manages these risks by selling products through a combination of daily and monthly spot contracts through various purchasers. In addition, borrowings under bank credit facilities are for short periods and are market rate based (variable interest rates); thus carry values approximate fair values.

The nature of the Corporation's operations result in exposure to fluctuations in commodity prices and interest rates. As of March 31, 2004 and 2003 no contracts to manage exposure to these risks were in place.

The majority of the Corporation's accounts receivable are in respect of oil and natural gas operations. The Corporation generally extends unsecured credit to these customers, and therefore, the collection of accounts receivable may be affected by changes in economic or other conditions and thus impact the Corporation's overall credit risk. Management believes the risk is mitigated by the size and reputation of the companies to which they extend credit. The Corporation has not experienced any material credit loss in the collection of receivables in the past.

13. COMPARATIVE FIGURES

The comparative financial statements have been reclassified from statements previously presented to conform with the presentation adopted in the March 31, 2004 financial statements.

RIPPER OIL AND GAS INC.

Corporate Information

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Solicitors

Shea Nerland Calnan
Calgary, Alberta

Transfer Agent

Olympia Trust Company
Calgary, Alberta

Stock Exchange Listing

TSX Venture Exchange
Symbol: RIP

Board of Directors

R.G. (Jerry) Ball ⁽¹⁾

David M. Calnan ⁽¹⁾

John B. McPherson

J. Michael Storey ⁽¹⁾

(1) Member of the Audit Committee

Officers

R.G. (Jerry) Ball
President & Chief Executive Officer

John B. McPherson
Vice President & Chief Financial Officer

David M. Calnan
Secretary

Auditors

Ernst & Young LLP
Chartered Accountants
Calgary, Alberta

Bankers

Alberta Treasury Branches
Calgary, Alberta

Abbreviations

Bbbls	-	Barrels
Bcf	-	Billion cubic feet
Boe	-	Barrels of oil equivalent
Boepd	-	Barrels of oil equivalent per day
Bopd	-	Barrels of oil per day
Mcf	-	Thousand cubic feet
Mmcf	-	Million cubic feet
NGL	-	Natural gas liquids

Natural gas is equated to oil on the basis of 6 mcf = 1 boe